

Action
OCA 87-2854

OFFICE OF CONGRESSIONAL AFFAIRS

Routing Slip

	ACTION	INFO
1. D/OCA		X
2. DD/Legislation	X	
3. DD/Senate Affairs		X
4. Ch/Senate Affairs		
5. DD/House Affairs		X
6. Ch/House Affairs		
7. Admin Officer		
8. Executive Officer		
9. FOIA Officer		
10. Constituent Inquiries Officer		
11.		
12.		

SUSPENSE

17 JUL 87

Date

Action Officer:

Remarks:

Completed 7/7/87

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6 JUL 87

Name/Date

Call us out

Concurrence

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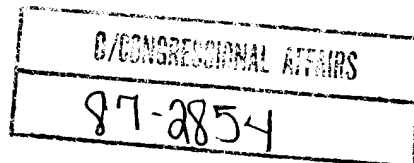
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**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503**

June 30, 1987

LEGISLATIVE REFERRAL MEMORANDUM



SPECIAL

TO: Legislative Liaison Officer

Department of Defense - Sam Brick (697-1305)
Department of State - Lee Ann Howdershell (647-4463)
Central Intelligence Agency

03 JUL 1987
LEG

SUBJECT: Department of Transportation draft bill -- "To extend the Aviation Insurance Program for 5 years."

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please provide us with your views no later than COB -- July 17, 1987.

Direct your questions to Jim Brown (395-3457), the legislative analyst in this office.

James C. Murr
James C. Murr for
Assistant Director for
Legislative Reference

Enclosures

cc: Nancy Potok
Sam Fairchild
Jim Fish
Russ Neely



THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

The Honorable George Bush
President of the Senate
Washington, D.C. 20510

IDENTICAL LETTER TO:
The Honorable Jim Wright
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. President:

Enclosed for introduction and referral to the appropriate Committee is a legislative proposal which would provide for a 5-year extension of the Aviation Insurance Program administered by the Department of Transportation's Federal Aviation Administration. Pursuant to section 1312 of the Federal Aviation Act of 1958, as amended, the current program will expire on September 30, 1987. Our proposed legislation will extend the program through September 30, 1992.

The Aviation Insurance Program plays an important role in ensuring that emergency air transportation needs are met. Commercial aviation insurance is unavailable in a limited number of extraordinarily high risk environments which cannot be fully anticipated or specified. Commercial insurance underwriters consider these high risk environments either outside the scope of coverage they offer or incapable of actuarial analysis.

When these high risk environments can be anticipated or specified, they are excluded from commercial insurance coverage. For example, commercial insurance underwriters treat aircraft operations performed pursuant to activation of the Civil Reserve Air Fleet (CRAF) as military operations because the participating aircraft are under the operational control of the United States Air Force. Therefore, they specifically exclude CRAF operations from their war risk insurance coverage.

In order to limit their financial liability in high risk environments which cannot be fully anticipated or specified, commercial insurance underwriters retain the option, with due notice, to raise premiums, limit coverage to less than full value or even cancel coverage in circumstances where risks increase significantly.

Since aircraft operators cannot or will not operate without insurance coverage, these potential gaps in commercial insurance coverage during high risk situations could preclude performance of air services required to further

United States foreign policy or national security interests. Title XIII of the Federal Aviation Act authorizes the Secretary of Transportation to provide aviation insurance coverage in these limited circumstances. The scope of Title XIII insurance is limited by the statutory requirement that provision of this insurance for specified international air services be preceded by both a Secretarial determination that commercial insurance coverage for those services is not available on reasonable terms and conditions, and a Presidential determination that the performance of these air services is in the foreign policy interest of the United States.

The current balance of the Aviation Insurance Revolving Fund, established under Title XIII, is such that a significant loss covered by the Program could exhaust the Fund. Accordingly, we are exploring various methods, within the scope of Title XIII, to improve the solvency of the Fund in keeping with the Congressional intent that this Program be operated, to the extent feasible, on a businesslike basis.

Pursuant to Title XIII authority, insurance is currently being provided by the Secretary for operations performed in the event of CRAF activation and would be available in emergency evacuation situations. The Department of Transportation believes there is a continuing need for this limited authority to provide aviation insurance and recommends a 5-year extension of Title XIII of the Federal Aviation Act. We urge the Congress to give favorable attention to this legislative proposal.

The Office of Management and Budget advises that there is no objection, from the standpoint of the Administration's program, to the enactment of this legislation.

Sincerely,

Elizabeth Hanford Dole

Enclosure
Draft Bill

Aviation Insurance Program

A BILL

To extend the Aviation Insurance Program for 5 years.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1312 of the Federal Aviation Act of 1958, as amended (49 U.S.C. App. 1542) is amended by striking "1987" and inserting "1992" in lieu thereof.